



Auditor of Public Accounts  
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**FOR IMMEDIATE RELEASE**

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**Harmon Releases Audit of Franklin County Sheriff's Office**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the 2016 financial statement of Franklin County Sheriff Pat Melton. State law requires the auditor to annually audit the accounts of each county sheriff. In compliance with this law, the auditor issues two sheriff's reports each year: one reporting on the audit of the sheriff's tax account, and the other reporting on the audit of the fee account used to operate the office.

Auditing standards require the auditor's letter to communicate whether the financial statement presents fairly the receipts, disbursements, and excess fees of the Franklin County Sheriff in accordance with accounting principles generally accepted in the United States of America. The sheriff's financial statement did not follow this format. However, the sheriff's financial statement is fairly presented in conformity with the regulatory basis of accounting, which is an acceptable reporting methodology. This reporting methodology is followed for all 120 sheriff audits in Kentucky.

As part of the audit process, the auditor must comment on noncompliance with laws, regulations, contracts, and grants. The auditor must also comment on material weaknesses involving internal control over financial operations and reporting.

The audit contains the following comments:

**The sheriff did not present an annual settlement to the fiscal court:** The sheriff did not present an annual settlement or pay excess fees to the fiscal court for calendar year 2016. The settlement has not been presented because staff indicated they wanted to wait until the completion of the audit. Failure to submit required reports to fiscal court prevents proper oversight from the fiscal court and increases the risk of undetected errors, misstatements, or fraud.

KRS 134.192(11) states "[i]n counties containing a population of less than seventy thousand (70,000), the sheriff shall file annually with his or her settlement:

- (a) A complete statement of all funds received by his or her office for official services[.]
- (b) A complete statement of all expenditures of his or her office, including his or her salary, compensation of deputies and assistants, and reasonable expenses.”

KRS 134.192 requires this settlement to be made on or by September 1. We recommend the sheriff prepare and present his annual settlement to the fiscal court timely, as required by statute. We also recommend the sheriff pay \$2,381 to the fiscal court for calendar year 2016 excess fees.

*Sheriff's Response: The Sheriff's Office was not able to present the 2016 Settlement to the Fiscal Court. The computer used by the Office Manager crashed and all data was lost. The Fee and Revenue accounts had to be rebuilt. The backup system that we had did not work. We now have a separate backup system for the accounting computer. The Fiscal Court was aware of the problem and the problem was brought up at several Fiscal Court meetings.*

**The sheriff did not ensure compliance with highway safety grant requirements:** The Franklin County Sheriff was awarded a highway safety grant in the amount of \$33,500 specifically for Impaired Driving Enforcement by the Kentucky Transportation Cabinet's Office of Highway Safety. This was a reimbursement grant, which requires the sheriff to submit reimbursement requests for costs incurred. Based on our review of a sample of requests submitted during the audit period, (1) supporting documentation required per the grant agreement was not submitted and (2) overtime worked per reimbursement requests did not agree to timesheets for two of the requests tested. This is a repeat finding and was included in the prior year audit report as finding 2015-001.

There was no direct oversight of grant reimbursement requests. The sheriff's grant administrator stated they were told by the Transportation Cabinet that timesheets did not need to be submitted because they did not want the extra paperwork, but this was not communicated in writing. The lack of documentation and oversight of the grant reimbursements significantly increases the risk of misuse of funds.

Per the grant agreement, “reimbursement requests shall be submitted to the Grantor on a ‘Reimbursement Claim Form’. Backup documentation showing that the work/expenditures for which the Grantee is requesting reimbursement has been completed shall be included, along with monthly activity reports.”

We recommend the sheriff implement controls over grant reimbursements in order to ensure compliance with grant requirements. Timesheets should reflect all hours worked and be maintained to support reimbursement requests.

*Sheriff's Response: We carefully reviewed their finding. We have complete records, no costs were disallowed costs. This finding is not a 2 year issue since the timing of the budget covers the same grant. The Sheriff's Office will submit time sheets on future grants and confirm any communication with state officials in writing. We have also reviewed all training and grant requirements.*

**The sheriff did not properly handle forfeiture funds:** The sheriff disbursed \$1,982 of federal forfeiture funds to the Franklin County Drug Court, which goes against the guidance set forth in the U.S. Department of Justice *Guide to Equitable Sharing for State and Local Law Enforcement Agencies* (Guide). Controls were not in place to ensure forfeiture funds were properly handled. If forfeiture funds are not properly handled, the U.S. Department of Justice may issue a “Do Not Spend Notification” on the forfeiture account.

As noted in the Guide, “Department of Justice policy requires shared monies and property to be used for law enforcement purposes. Sharing will be withheld from any state or local law enforcement agency where state or local law, regulation, or policy requires federal equitable sharing funds to be transferred to non-law enforcement agencies or expended for non-law enforcement purposes. No sharing request or recommendation, including shares negotiated in a task force or other agreement, is final until approved by the federal deciding authority.”

We recommend the sheriff ensure forfeiture funds are spent for only permissible expenditures.

*Sheriff's Response: The Franklin County Sheriff's Office had presented to the Circuit Court Judges a proposal to provide 5% of all forfeiture funds to the Drug Court for additional funding. We were not aware this would be considered an unallowable issue of these funds.*

**The sheriff spent \$265 in unallowable expenditures:** The following disallowed expenditures were made from the fee account:

- Registration fees of \$210 were paid for the sheriff's wife to accompany him to the National Sheriff's Association (NSA) conference. Registration fees are allowable expenditures for the sheriff, but not for his wife.
- The sheriff was reimbursed \$55 for meals included in his registration for the conference.

This condition results from a lack of adequate internal controls and review over disbursements. The sheriff personally owes \$265 to the 2016 fee account as a result of these disallowed expenditures. In Funk v. Milliken, 317 S.W.2d 499 (Ky. 1958), Kentucky's highest court ruled that county fee officials' expenditures of public funds will be allowed only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not primarily personal in nature. The Sheriff's Travel and Expense Policy states, “when meals are included in registration fees, the allowed amount for the meal will be deducted from the per diem.”

We recommend the sheriff reimburse the 2016 fee account \$265 from personal funds for these disallowed expenditures. In the future, the sheriff should ensure funds are only expended for allowable purposes.

*Sheriff's Response: This expense was paid inadvertently and was in error. Personal reimbursement has been made to the offended account. Action has been taken to assure this does not happen again.*

**The sheriff did not properly account for donations:** During 2016, the sheriff received a \$500 cash donation from a local business. These funds were not deposited into the donation account, but were handed out in ten \$50 bills as door prizes at the sheriff's Christmas party. The sheriff also received donations of liquor and food items from other local businesses which were also given out as door prizes at the sheriff's Christmas party. The sheriff stated these funds were a gift to be used for the Christmas party.

Failure to handle donations properly results in noncompliance with KRS 61.310 and possible violation of Franklin County's ethic code. Also by not properly accounting for donations, there were less funds available to be used for the public purpose of the sheriff's office.

Per KRS 61.310(2), "[a] peace officer shall not receive any compensation or remuneration, directly or indirectly, from any person for the performance of any service or duty, except that he or she may be compensated for employment authorized by subsection (4) of this section and accept donations in accordance with subsection (8) of this section."

KRS 61.310(8) states, "(a) [a] sheriff may accept a donation of money or goods to be used for the public purposes of his or her office if the sheriff establishes a register for recording all donations that includes, at a minimum:

1. The name and address of the donor;
2. A general description of the donation;
3. The date of acceptance of the donation;
4. The monetary amount of the donation, or its estimated worth; and
5. Any purpose for which the donation is given.

The register shall constitute a public record, be subject to the provisions of KRS 61.870 to 61.884, and be made available to the public for inspection in the sheriff's office during regular business hours.

(b) Any donation to a sheriff shall only be used to further the public purpose of the office and shall not be used for the private benefit of the sheriff, his or her deputies, or other employees of the office.

(c) All donations made in accordance with this subsection shall be expended and audited in the same manner as other funds or property of the sheriff's office."

The Franklin County Fiscal Court's ethics code states, "no public servant, his spouse or dependent child shall knowingly accept any gifts or gratuities, including travel expenses, meal, alcoholic beverages, and honoraria, totaling a value greater than fifty dollars (\$50.00) in a single calendar year from any person or business that does business with, is regulated by, is seeking grants from, is involved in litigation against, or lobbying or attempting to influence the actions of Franklin County Fiscal Court, or any agency, department or office in which the public servant is employed or which he supervises, or from any group or association which has as its primary purpose the representation of those persons or businesses."

The sheriff did not account for the donations on a ledger as required by KRS 61.310. Furthermore, some items donated such as liquor could not be put to an official use of the office and should not

have been accepted. The donations went to the private benefit of employees in violation of KRS 61.310. Additionally, public employees are not to receive compensation for services not rendered pursuant to Section 3 of the Kentucky Constitution.

We recommend the sheriff comply with KRS 61.310(8) by only receiving and using donations that are for the public purpose of his office, and that he account for all donations.

*Sheriff's Response: We have carefully reviewed this funding and every effort was made to assure anyone donation items that this was a totally voluntary contribution. The sole purpose was to provide our employees with a Christmas Reception and not expect any public funds. We have carefully reviewed the KRS and the FCEC to assure future compliance. We are also contacting the FCEC to seek guidance for future years to determine what process could be allowable.*

*Special Deputy who I[sic] not a vendor, personally bought liquor and gave it away as a door prize without being requested or approved to do so in advance. This action should not have occurred.*

**The sheriff overspent his approved budget:** The Franklin County Sheriff's operating disbursements of \$2,067,082 exceeded the budgeted expenditures approved by the fiscal court by \$104,076. The sheriff failed to monitor operating disbursements to ensure compliance with the approved budget. The sheriff also failed to amend the budget to allow for the repayment of the state advancement received.

The sheriff's overspending of the budget created a budgetary noncompliance, but because this overspending related primarily to the sheriff's advancement, it had little impact on the amount of excess fees to be remitted to the Franklin County Fiscal Court.

The state local finance officer requires the fiscal court to approve a calendar year budget for each fee office as a component of the county's budget preparation process by January 15th of each year. KRS 68.210 states, "[t]hat the administration of the county uniform budget system shall be under the supervision of the state local finance officer who may inspect and shall supervise the administration of accounts and financial operations and shall [prescribe] a system of uniform accounts for all counties and county officials."

We recommend the sheriff monitor his budget throughout the year and request budget amendments as necessary from the fiscal court before year end.

*Sheriff's Response: This was due to the State Advancement given to the Fiscal Court. Being the first year of doing the advancement, the County Treasurer and the Office Manager failed to put the advancements in the budget which made to look like the office went over their budget. There was no overspending for the 2016 Budget.*

The sheriff's responsibilities include collecting property taxes, providing law enforcement and performing services for the county fiscal court and courts of justice. The sheriff's office is funded through statutory commissions and fees collected in conjunction with these duties.

The audit report, which includes an additional letter in response from Sheriff Melton, can be found on the [auditor's website](#).

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